



JUNE 1, 1998

OIG REPORT NO. 98-39(H)

MEMORANDUM FOR: MR. ROBERT L. WELLS, ASSISTANT ACADEMIC VICE PRESIDENT FOR RESEARCH, THE UNIVERSITY OF ALABAMA, ALABAMA INTERNATIONAL TRADE CENTER, TUSCALOOSA, ALABAMA

SUBJECT: Memorandum Survey Report--Alabama Export: A Targeted Export Assistance and Management Training Program, ARC Grant. No. AL-12314-96

### PURPOSES

The purposes of our review were (1) to determine the allowability of the costs claimed under the ARC grant, (2) to determine if the grant objectives were met, and (3) to determine the current status of the project.

### SCOPE

Our review included procedures to review costs incurred and claimed for reimbursement under the grant as well as costs claimed as the matching share. The initial period of performance was March 1, 1996 through February 28, 1997. The grant was extended three times through April 30, 1997, July 31, 1997 and July 31, 1998. We reviewed the grantee's reports, examined records, and held discussions with grantee officials April 22-23, 1998. As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreement, Office of Management and Budget (OMB) Circulars A-21 and A-110, and the ARC Code.

### BACKGROUND

ARC Grant No. AL-12314-96 was awarded to the Alabama International Trade Center of the University of Alabama to provide funds for the Targeted Export Assistance and Management Training Program. The project was to constitute the first year of a three-year initiative to develop a pro-active approach to delivery of export development services to industrial sectors with significant potential to market internationally. A team of experts was to be assembled to provide specific assistance on a one-to-one basis to selected firms. Small and medium sized enterprises (SME's) representing the value added wood products, agribusiness and textile/apparel industries will receive export assistance. Ten new companies were expected to commit to exporting and be capable of exporting at the end of the first year. The following tasks were to be performed:

1. Review industry surveys from its own database, those of the Alabama Forestry Commission and the Alabama Department of Agriculture and Industries, and others to be selected by the grantee;
2. Compile a pool of 75-100 firms from which candidate industries will be selected;
3. After in-depth on-site interviews and an export assessment, select ten firms and execute agreements with each participating firm;
4. Provide intensive training and assistance in export management, research and market targeting, sales and marketing, shipping and documentation, export financing and payments, and setting up an export department; and
5. Establish a program of exit review and evaluation for each participating firm.

The initial grant was for the actual, reasonable and eligible project costs, not to exceed \$132,895 (77 percent of total project costs). The grantee was to provide \$40,950 (23 percent) in cash, contributed services, or in-kind contributions. Amendment No. 3 increased the project amount by \$75,000 including additional grant costs of \$55,000 (73 percent) and matching costs by \$20,000 (27 percent).

At the time of our on-site visit, the grantee had claimed total project costs of \$187,945.37, including grant costs of \$133,952.63 and non-federal match of \$53,992.74. The second phase of the project was underway and the balance in ARC's grant account was \$55,001.

## RESULTS

### Financial Review

During our on-site review, we found that the grantee inadvertently overstated grant and matching costs claimed to ARC. They claimed grant costs of \$306 that should have been claimed against a different project and they overstated their matching share by about \$345 because two expenditures totaling \$280.45 were claimed twice and actual costs for wages were \$64.37 less than the amount claimed to ARC. Since the grant is ongoing, the grantee agreed to adjust their total grant costs and matching share by \$306 and \$345, respectively, to reflect these overstated costs. They also indicated that they did not have a specific account for matching costs at the beginning of the grant but subsequently established one to help them keep track of those expenditures.

We also noted that the grantee's approved budget indicated that consultant costs totaling \$108,000 would be funded by the grant and personnel costs totaling \$32,190 would be provided as part of their matching share. During the course of the grant period, the grantee determined that they could do some of the grant work with in-house personnel in lieu of consultants. As a result, they charged \$16,530 to the grant for personnel costs and spent \$23,302 less on consultants than originally anticipated. A grantee official did not recall getting permission from ARC to switch costs between

categories and we found no evidence of it, but they agreed to request permission from ARC in the future before charging costs to the project that varied substantially from their approved budget.


No other deficiencies were noted regarding the allowability or documentation of grant or matching costs.

#### Program Review

The grantee completed the tasks specified by the grant agreement. They targeted three industry sectors: wood products, agribusiness, and textile and apparel. Ten firms were selected for the training program from a pool of approximately 85 small and medium-sized businesses. The grantee provided intensive training and assistance to the participating companies and continue to monitor their progress and provide assistance as needed.

#### Program Status

ARC approved an amendment to this project to enable the grantee to train another ten companies in Appalachian Alabama through July 31, 1998. The grant amount was increased by \$55,000 and the grantee is to provide additional match totaling \$20,000.

  
Hubert N. Sparks  
Inspector General



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*Office of the Inspector General*

June 2, 1998

Robert L. Wells, PhD  
Assistant Academic Vice President for Research  
Alabama International Trade Center  
The University of Alabama, Box 870104  
Tuscaloosa, AL 35487-0104

re:      OIG Report 98-39(H), Grant AL-12314-96


Dear Dr. Wells:

Enclosed is a copy of our memorandum report dealing with a grant for export assistance and management training. As noted, the minor conditions identified during the review were corrected; and an additional response is not requested.

A copy of this report is being provided to the Federal Co-Chairman, the Executive Director, and the Alabama State Alternate.

The courtesies and cooperation provided the auditor were appreciated.

Sincerely,

  
Hubert N. Sparks  
Inspector General

Enclosure



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*Office of the Inspector General*

June 3, 1998


Ms. Bonnie F. Durham  
ARC Program Manager, Appalachian Region  
at Northeast State Community College  
P. O. Box 159  
Rainsville, AL 35986

re:   OIG Reports 98-38(H) and 98-39(H); ARC  
      Grants AL-12313-96 and AL-12314-96

Dear Ms. Durham:

Enclosed are copies of our memorandum reports dealing with grants for export assistance and management training and internal strategic planning.

Sincerely,

  
Hubert N. Sparks  
Inspector General

Enclosures